

**Tax Guide
for Wisconsin
Political
Organizations
and Candidates**

I. INTRODUCTION

This publication explains the federal and Wisconsin tax treatment of campaign funds of political organizations and candidates. It also explains Wisconsin's alcohol beverage laws relating to fund-raising activities that involve the serving of alcohol beverages.

The information given is based on Wisconsin and federal tax laws as of December 15, 2003.

II. FEDERAL INCOME TAX TREATMENT

Political Organizations: Federal tax law provides that a political organization (for example, a party, committee, association, or fund) is to be taxed on investment income and on income received from a trade or business. Campaign contributions are not includable in income and expenditures for campaign purposes are not deductible as expenses.

Federal law generally defines **taxable income** to be the excess of gross income over expenses directly attributable to the production of such income and a specific deduction of \$100. See "Taxable Income" in the instructions for federal Form 1120-POL, for a more detailed description of taxable income.

A political organization must file a federal income tax return if it has any taxable income for a taxable year.

Form 1120-POL, *U.S. Income Tax Return for Certain Political Organizations*, is the form used to report the income and expenses of a political organization. The due date for filing a Form 1120-POL is the 15th day of the third month following the close of the taxable year (for example, March 15, 2004 for 2003 calendar year taxpayers).

Political Candidates Who Personally Control Their Campaign Funds: If political contributions are used solely for campaign purposes, they are not includable in the candidate's income. However, any funds diverted from campaign activity and used for personal purposes are taxable to the candidate and must be reported as income on the candidate's federal income tax return.

Even though no part of a candidate's campaign contributions or earnings thereon are used for other than campaign purposes, interest earned on campaign contributions, dividends paid on contributed securities, and gains on the sale of contributed securities are considered taxable income. Such income must be reported on Form 1041, *U.S. Income Tax Return for Estates and Trusts*. This form must be filed for a taxable year if there is any taxable income, or if there is gross income of \$600 or more, regardless of the amount of taxable income. Campaign contributions are not includable in gross income.

The due date for filing a Form 1041 is the 15th day of the fourth month following the close of the taxable year (for example, April 15, 2004 for 2003 calendar year taxpayers).

III. WISCONSIN INCOME TAX TREATMENT

Political Organizations: If a political organization is not organized or conducted for pecuniary profit and all receipts are expended solely to advance the candidacy of political aspirants or for other political purposes, the political organization is exempt from Wisconsin income and corporate taxation under secs. 71.01(6) and 71.26(1)(a), Wis. Stats. (2001-02).

An *exempt* political organization is not required to file a Wisconsin income or franchise tax return.

If a political organization is not exempt, it should contact any Wisconsin Department of Revenue office for information as to how it is taxed.

Political Candidates Who Personally Control Their Campaign Funds: The tax treatment of campaign funds controlled by political candidates is generally the same for Wisconsin as for federal income tax purposes. Political contributions used solely for campaign purposes are not includable in the candidate's income. However, any funds diverted from campaign activity and used for personal purposes are taxable and must be reported as income on the candidate's Wisconsin individual income tax return.

Any interest earned on campaign contributions, dividends paid on contributed securities, and gains on the sale of contributed securities are considered taxable income. Such income must be reported on Form 2, *Wisconsin Fiduciary Income Tax Return*. A Form 2 must be filed for a taxable year if there is any taxable income, or if there is gross income of \$600 or more, regardless of the amount of taxable income. Campaign contributions are not includable in gross income. Taxable income for Wisconsin purposes means the same as for federal purposes (see "Political Organizations" in Part II).

The due date for filing a Wisconsin Form 2 is the 15th day of the fourth month following the close of the taxable year (for example, April 15, 2004 for 2003 calendar year taxpayers).

IV. WISCONSIN ALCOHOL BEVERAGE LAW

The following information is provided to assist political organizations and candidates for public office in planning and organizing fund-raising activities that involve the serving of alcohol beverages.

Fund-Raisers Held on Unlicensed Premises – When General Public is Invited: When campaign fund-raisers to which the general public

is invited are held on UNLICENSED PREMISES (any location, including a private residence, that is not specifically licensed to dispense alcohol beverages), the consumption of alcohol beverages is illegal. Sec. 125.09(1), Wis. Stats. (2001-02). If any location is opened to persons other than the host's personally invited guests, the location becomes a "public place."

For example, circulars, pamphlets, or newspaper announcements that extend a general invitation make any location of an event a "public place." If the location is not licensed for service of alcohol beverages, to do so is illegal.

Fund-Raisers Held on Unlicensed Premises – When Only Invited Guests Attend: Alcohol beverages may be served at campaign fund-raisers held on any unlicensed premises if attendance is *limited* to the host's personally invited guests and *no admission fee is charged and no contribution is required*. Contributions may be solicited and accepted if they are voluntary and serving of alcohol beverages is not restricted to those making a contribution. Sec. 125.04(1), Wis. Stats. (2001-02).

Fund-Raisers Held on Licensed Premises: Campaign fund-raisers held on LICENSED PREMISES are permissible. The person holding the license would be responsible for the premises and for the dispensing of any alcohol beverages as authorized under secs. 125.26(1) and 125.51(3) and (3m), Wis. Stats. (2001-02). However, alcohol beverages served on licensed premises may not be donated or brought by the guests, since beverages dispensed are limited to those purchased by the licensee from a Wisconsin manufacturer, rectifier, or wholesaler. Secs. 125.33(9) and 125.69(6), Wis. Stats. (2001-02).

V. ADDITIONAL INFORMATION

If you have any questions or need additional information regarding the federal tax treatment of

political organizations or candidates, you should contact the federal Internal Revenue Service.

If you have any questions or need additional information regarding the Wisconsin tax treatment of political organizations or candidates, you may contact the Wisconsin Department of Revenue by any of the following methods:

Visit the department's Madison office at:
2135 Rimrock Road

Write to: Wisconsin Department of Revenue
Administration Technical Services
Mail Stop 6-40
PO Box 8933
Madison WI 53708-8933

Telephone: (608) 266-8474

E-mail: isetechsvc@dor.state.wi.us

Fax: (608) 261-6240

If you have any questions or need additional information regarding the serving of alcohol beverages at fund-raising activities, you may contact the Wisconsin Department of Revenue by any of the following methods:

Visit the department's Madison office at:
2135 Rimrock Road

Write to: Wisconsin Department of Revenue
Alcohol and Tobacco Enforcement
Section
Mail Stop 6-40
PO Box 8933
Madison WI 53708-8933

Telephone: (608) 266-9242

E-mail: rjohnso2@dor.state.wi.us

Fax: (608) 261-6240